

FISCAL NOTE

Bill #: HB329

Title: Eliminate allowing TRS and PERS retirees to be reemployed without benefit loss.

Primary Sponsor: W. Stahl

Status: As Introduced

Sponsor signature

Date

David Ewer, Budget Director

Date

Fiscal Summary*

	<u>FY 2006 Difference</u>	<u>FY 2007 Difference</u>
Expenditures:		
General Fund	\$265,160	\$275,477
State Special Revenue	\$194,036	\$201,585
Federal Funds	\$133,400	\$138,590
Proprietary Funds	\$72,765	\$75,594
University Funds	\$88,496	\$91,939
Other (PERS Retirement Trust Fund)	\$159,300	\$159,300
Revenue:		
Other	\$1,638,819	\$1,702,575
Net Impact on General Fund Balance:	(\$265,160)	(\$275,477)
*Impact only from PERS, TRS impact unknown		

<input checked="" type="checkbox"/> Significant Local Gov. Impact	<input checked="" type="checkbox"/> Technical Concerns
<input type="checkbox"/> Included in the Executive Budget	<input type="checkbox"/> Significant Long-Term Impacts
<input type="checkbox"/> Dedicated Revenue Form Attached	<input checked="" type="checkbox"/> Needs to be included in HB 2

Fiscal Analysis

ASSUMPTIONS:

Public Employees' Retirement System

1. This is the only provision being considered. If other provisions are enacted, the cost associated with this provision may be different.
2. Approximately 350 working retirees are reported each year, not including anyone equal to or over age 70½ who aren't required to report.
3. Approximately 11 retirees stop their benefit and return to covered employment each year.
4. Approximately 3,000 employees working less than 960 hours, choose not to belong to PERS each year. These employees are assumed to join PERS under this bill's provisions.
5. Assume part-time employees work approximately 700 hours per year.

Fiscal Note Request HB329, As Introduced

(continued)

6. Assume average hourly compensation is \$11.31 in FY06 and \$11.75 in FY07 based on average FY 2004 annual salary of \$21,788 per the 2004 Actuarial Valuation. Assume annual compensation increases at a rate of 3.9 percent each year based on the current five-year average increase.
7. The current employer contribution rate is State 6.9 percent; MUS 6.9 percent; local government 6.8 percent with the State picking up 0.1 percent of local government compensation.
8. Estimated revenues to the PERS retirement trust fund are \$1,638,819 in FY 2006 and \$1,702,575 in FY 2007.
 - a. $3,000 \text{ members} \times 700 \text{ hours} \times \$11.31 \times .069 = \$1,638,819$.
 - b. $3,000 \text{ members} \times 700 \text{ hours} \times \$11.75 \times .069 = \$1,702,575$.
9. PERS active membership breakdown is State 37%, MUS 9%, local government 54%; therefore, the 3,000 part-time employees would be made up of State 1,110; MUS 270; local government 1,620. A breakdown of the revenues by entity is below.

2006 Funding							
Entity	General Fund	State Special	Federal Funds	Proprietary	County Levies and other	University Funds	Total
State	206,163	194,036	133,400	72,765			606,364
MUS	58,997					88,496	147,493
Local Govt	0				884,962		884,962
Total	265,160	194,036	133,400	72,765	884,962	88,496	1,638,819

2007 Funding							
Entity	General Fund	State Special	Federal Funds	Proprietary	County Levies and other	University Funds	Total
State	214,184	201,585	138,590	75,594			629,953
MUS	61,293					91,939	153,232
Local Govt	0				919,390		919,390
Total	275,477	201,585	138,590	75,594	919,390	91,939	1,702,575

10. Plan choice education costs \$50 per participant. The cost of PERS plan choice education is increased by \$150,000 (3,000 members x \$50).
11. The cost to process a PERS refund is \$3.10 per refund. This bill increases the cost of PERS refunds processed by \$9,300 (3,000 members x \$3.10).

Teachers' Retirement System

12. The fiscal impact of this bill to the Teachers' Retirement System is unknown.

Fiscal Note Request HB329, As Introduced

(continued)

FISCAL IMPACT:

	<u>FY 2006 Difference</u>	<u>FY 2007 Difference</u>
<u>Expenditures:</u>		
Personal Services	753,857	783,185
Operating Expenses	<u>159,300</u>	<u>159,300</u>
TOTAL	913,157	942,485

<u>Funding of Expenditures:</u>		
General Fund (01)	265,160	275,477
State Special Revenue (02)	194,036	201,585
Federal Funds (03)	133,400	138,590
Proprietary (06)	72,765	75,594
University Funds (31)	88,496	91,939
Other (PERS retirement trust fund)	<u>159,300</u>	<u>159,300</u>
TOTAL	913,157	942,485

<u>Revenues:</u>		
Other (PERS retirement trust fund)	1,638,819	1,702,575

<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>		
General Fund (01)	(265,160)	(275,477)
State Special Revenue (02)	(194,036)	(201,585)
Federal Funds (03)	(133,400)	(138,590)
Proprietary (06)	(72,765)	(75,594))
University Funds (31)	(88,496)	(91,939)
Other (PERS retirement trust fund)	1,479,519	1,543,275

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

Increase in Employer Contributions		
	FY 2006 Difference	FY 2007 Difference
Montana University System	147,493	153,232
Local Government	884,962	919,390

TECHNICAL NOTES:

1. The title states that the Act eliminates provisions allowing retirees to be reemployed in a position covered by their retirement system without a loss of retirement benefits. The Act repeals in their entirety the sections of law that permit a retiree to return to employment in a position covered by their retirement system, even with the loss of retirement benefits. The Act and its title are inconsistent.
2. A statute prohibiting retirees from returning to employment in a position covered by their retirement system may be unconstitutional.

Fiscal Note Request HB329, As Introduced

(continued)

3. Section 19-2-706 created a contract right for those employees who took advantage of the additional service credit. Amending 19-2706(6) to change those rights may constitute an unconstitutional impairment of contract.
4. Deleting 19-2-706(6) in its entirety eliminates the forfeiture of additional service credit. If a member who received additional service credit under 19-2-706 is able to return to employment, there would be no law requiring the forfeiture of the additional service credit.
5. Section 19-3-412(1) lists employees entitled to optional membership in PERS. Subsection (1)(b) provides part-time employees with the option to join PERS. It applies to all part-time employees, not just retirees. Eliminating subsection (1)(b) resulting in all part-time employees being members of PERS.
6. Section 19-3-908 created a contract right for those employees who took advantage of the retirement incentive program. The contract right included the ability to return to employment. Elimination of this right may be an unconstitutional impairment of contract.
7. Sections 19-3-1105 and 19-3-1106 create contract rights for those employees who retire while those statutes are effective. Elimination of those statutes in their entirety may be an unconstitutional impairment of contract for those retirees.
8. Section 19-3-1105(2) applies to employees whose disability retirement is cancelled pursuant to 19-3-1104. If 19-3-1105(2) is repealed, there is no statute addressing calculation of retirement benefits for individuals who are reinstated following cancellation of their disability retirement.